

## **FACT SHEET**

### **LONG-TERM PROGRAMS**

The intent of all of Ex-Im Bank's programs is to make U. S. exporters competitive with exporters from other countries - to give them a level playing field - and to take the risk on those transactions that are beyond the risk appetite of lenders.

For sales of capital goods and related services where the financed amount exceeds \$10 million or the repayment term is greater than seven years, Ex-Im Bank offers exporters and buyers two choices to finance an export sale.

Under the **Guarantee Program**, a lender's loan to the foreign buyer is guaranteed by Ex-Im Bank. Because Ex-Im Bank approves the documentation before the guarantee is effective, the lender is assured that a claim will be paid if presented within the time allowed. The interest rate charged is negotiated between the lender and the buyer. Ex-Im Bank's guarantee includes accrued interest. Usually the approach to Ex-Im Bank is made by the lender or the foreign buyer.

In very rare situations, usually at the insistence of the foreign buyer, Ex-Im Bank will use its **Direct Loan Program** to make a loan from its own resources to the foreign buyer. All such loans have a fixed interest rate which is based on U. S. Treasury securities and is the lowest allowed under international agreement. This is not a frequently used program because of the added time needed to formulate the legal documentation and the lack of bank financing for the cash payment.

In these programs, the maximum Ex-Im Bank is allowed to cover is 85 percent of the U. S. contract price. The remaining 15 percent cash payment can be either borrowed from a lender or come from the buyer's own funds. Thus, for a \$20 million sale, Ex-Im Bank's financing will be \$17 million.

Ex-Im Bank charges a commitment fee of 0.5 percent for the loan and 0.125 percent for the guarantee program. The other charge is the exposure fee which is based on the country and type of foreign buyer, its creditworthiness, the length of the repayment term, and other factors. Both programs charge the same exposure fee for a given buyer. Indicative exposure fees may be obtained from Ex-Im Bank's Web site calculator.

As a preliminary indication of Ex-Im Bank's support, an exporter can obtain an Ex-Im Bank Letter of Interest which outlines the financing, repayment terms and exposure fee for a given transaction. The cost is \$100 and the turnaround time is 7 working days or less. A formal preliminary commitment is also available when required, at a higher cost.

For exporters that are facing competition from non-U.S. exporters backed by foreign-aid type financing from their governments, Ex-Im Bank may match such financing. This has been most actively used in Southeast Asia. Exporters of environmental goods and services are eligible for additional benefits in the financing to the foreign buyer.

Ex- Im Bank encourages exporters and buyers to work with experienced lenders. Often, the program selected will be based on the lender's or buyer's preferences. Ex-Im Bank is also available to assist in the selection of the best program for the situation.